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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001550

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SUBJECT: TURKMEN FOREIGN MINISTER: MORE OF THE SAME

REF: ASHGABAT 1512

Classified By: CDA Richard Miles for reasons 1.4 (b) and (d).

11. (C) Summary. On November 21, Foreign Minister Meredov received U.S Coordinator for Eurasian Energy Diplomacy Ambassador Steven Mann, accompanied by Charge Richard Miles, for an hour-long conversation which was very similar in content to Ambassador Mann's conversation on November 20 with President Berdimuhamedov (reftel). Ambassador Mann emphasized the important contribution which American energy companies could make to Turkmen gas resource development and Foreign Minister Meredov pushed back citing Turkmenistan's longstanding policy of no foreign ownership of Turkmenistan's onshore projects as well as the gradually improving quality of Turkmenistan's oil and gas cadres. End Summary.

Appointments and Visits

12. (C) Minister Meredov was intrigued with the breaking news of the possible appointment of Senator Clinton as Secretary of State, an appointment which he welcomed. He then described in general terms the "very intensive" discussion which President Berdimuhamedov had conducted during his just concluded visits to Korea, Germany and Austria.

UN Resolution on Pipeline Security

13. (C) The Minister thanked Ambassador Mann for U.S. support for Turkmenistan's proposed UN Resolution on Pipeline Security. Other major oil and gas countries were also in favor of the Resolution, he said, and, assuming passage, Turkmenistan planned to propose a UN-sponsored conference on pipeline security issues in Ashgabat. The resolution was necessary, he said, to give Turkmenistan a measure of comfort before moving forward on new hydrocarbon development.

14. (C) The Minister said that a "second stage" would largely depend on the participants in such a conference. The Conference should lead to a UN Convention on Pipeline Security. We would do our share, said the Minister; we would

explain our policy, our approach. And, he concluded, we would work with others - including the U.S. Ambassador. Mann responded that a conference on this topic was more needed than ever before. We would participate in such a conference and our experts could even help prepare it.

Turkmenistan's Approach

15. (C) Meredov described the direction of Turkmenistan's energy policies - both onshore and offshore. The Minister said that Berdimuhamedov wanted to meet European demand for more gas, but, he said, pointing his finger vaguely Northward, "you know the problems we've had in recent years. We'll work with you," Meredov continued, "to develop our further approach to Caspian energy exploitation. We have already invested a lot in our relations with Azerbaijan - still we have a way to go in that regard. While we are self-sufficient," he said, "and Azerbaijan is self-sufficient, we still need to work together." President Berdimuhamedov is not just thinking about profits, but is also thinking about the future and about the energy needs of other countries.

Pipelines and Upstream Gas

16. (C) Ambassador Mann said he understood the President and the Minister's thinking. We do strongly support a trans-Caspian pipeline but the main obstacle was the upstream gas to fill it. This was the decisive point for us. Ambassador Mann then repeated his comments made previously to

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President Berdimuhamedov about the lack of experience of the Turkmen oil cadres in exploiting these difficult sub-salt deposits. Ambassador Mann cited the not always positive experience of Chinese operators in developing such deposits, including the 2007 Yolotan blowout. Ambassador Mann emphasized the argument that American companies could help with the difficult development of Turkmenistan's onshore deposits. "You need long-term agreements with major energy companies," he said, "you need highly developed reservoir management, you need advanced training of your skilled cadre." He emphasized that our companies want to explain in detail to you and to President Berdimuhamedov how they could help you exploit your resources. Perhaps experts and representatives of the major American companies could come to Ashgabat in January to provide a more detailed explanation of our approach. Ambassador Mann said he doubted that Berdimuhamedov received an accurate stream of factual information. "Our people could provide that information."

In Defense of Berdimuhamedov

17. (C) The Minister responded forcefully, saying that Berdimuhamedov did have an objective view of the situation. President Berdimuhamedov knew, said the Minister, that there were problems of technology and of cadre preparation and, he went on, Berdimuhamedov had already done a lot - he had made structural and cadre changes in the energy sector - and all this in a short period. He had sent cadres abroad; he had introduced positive legislative changes, e.g., the Law on Hydrocarbon Resources. Of course, said the Minister, we have to prepare the new cadres; but we have already begun to work on this. In the recently released Gaffney Cline audit, said the Minister, the assistance of the Turkmen geologists and geophysicists was very favorably noted.

Trans-Afghan Pipeline

18. (C) Stressing Turkmenistan's commitment to multivector exports, Meredov noted that a four-way meeting on the project took place in April 2008 and since then, experts' groups at the Deputy Minister level have convened three times. Work continues.

Higher Profitability and a Little Verbal Pushing and Shoving

¶9. (C) Ambassador Mann noted the higher degree of profitability resulting from the superior technology of American firms. He cited the success of the TengizChevroil Project in this regard. Yes, he said, the Russians could have done this despite the inherent difficulties, but the profitability would have been lower. Turkmenistan, emphasized Ambassador Mann, is seemingly the exception among major energy producers in excluding Western participation from onshore energy exploitation. The Minister and Ambassador then engaged in something of a verbal wrestling match on this issue. "I'm, to put it mildly, surprised," said the Minister, "when after you've heard the President say - Nothing on land - you still push this issue. Like it or don't like it, we've laid this position out very clearly. Ambassador Mann responded forcefully saying that no major American company was interested in a "service agreement." "Well, that's their decision," said the Minister. "There are Russian and European companies who want to do business with us on our terms." He cited a Belgian company currently constructing a gas compressor for Turkmenistan.

Conclusion

¶10. (C) Ambassador Mann said he was not talking about this sort of project. He was talking about integrated project management of the energy sector. President Berdimuhamedov

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had a point, but it was not good enough. Revenues are going to decline as production from existing fields declines and as oil prices plateau, said Mann, adding that he would not want to be the Turkmen Finance Minister in a few months time given the apparent government policy of defending the manat at its current level.

And a Digression

¶11. (C) The Minister then launched into a vehement digression on the alleged mistreatment which Turkmenistan received at the 2007 Tehran Summit. President Berdimuhamedov had said that Turkmenistan did not need multi-party delimitation of the Caspian Sea in order to construct subsea pipelines - only bilateral agreement with Azerbaijan. No one supported us, he exclaimed. "I'm very put out," he said, "when countries do not support the positive Turkmen position. We understand Russian, Iranian, even Kazakh opposition, he said, but Azeri. "We're not naive," he continued, "we know what we are doing. If we can't reach agreement with our partners, we have no partnership - and we need that partnership. This is not an ultimatum," he concluded, "it's just our position." (Comment: This has been a repeated refrain from the President and FM alike in the year-and-a-half since Tehran. We understand that the story the Kazakhs and Azerbaijanis tell of the Summit offers a less assertive picture of Berdimuhamedov).

¶12. (C) Further rubbing old sores, Meredov complained about the Azerbaijani gunboats that "spoiled the atmosphere" on the eve of the President's visit to Baku. Nevertheless, Turkmenistan wants to resolve delimitation; when the status of the Caspian is solved, then we can work more closely on economic cooperation. Meredov, however, got the feeling that the Azerbaijani position is changing, looking at their recent statements.

¶13. (C) Although he reaffirmed Turkmenistan's desire for a Trans-Caspian pipeline, Meredov warned that Turkmenistan has no economic need for a line: "It is enough for the prosperity of our people to sell 50 BCM to Russia and China and for our own consumption." Pipelines do, however, strengthen relations between countries.

¶14. (C) Comment. Emboldened by the Gaffney-Cline audit and by a second successful Oil and Gas Show, Meredov, like his master, seems to believe that Turkmenistan can only be poised

to move from golden success to success. With the Foreign Minister, as with the President, the corrupting extent of the Niyazov system becomes more and more clear: a system in which slavish loyalty to the party line is mandatory and thus, a system which filters out objective assessments of national conditions. That tie to the Niyazov legacy, along with a lavish display of brittle Turkmen pride -- regarding Azerbaijan, regarding indigenous capabilities -- explains the assertiveness of the otherwise-intelligent Foreign Minister.

MILES